

# SENATE BILL NO. 667

## 94TH GENERAL ASSEMBLY

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INTRODUCED BY SENATOR SCOTT.

Read 1st time March 1, 2007, and ordered printed.

TERRY L. SPIELER, Secretary.

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### AN ACT

To repeal sections 166.425 and 166.435, RSMo, and to enact in lieu thereof two new sections relating to tax deduction for contributions to educational savings programs.

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*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Sections 166.425 and 166.435, RSMo, are repealed and two new  
2 sections enacted in lieu thereof, to be known as sections 166.425 and 166.435, to  
3 read as follows:

166.425. All money paid by a participant in connection with participation  
2 agreements shall be deposited as received and shall be promptly invested by the  
3 board. Contributions and earnings thereon accumulated on behalf of participants  
4 in the savings program may be used, as provided in the participation agreement,  
5 for qualified higher education expenses. **Such contributions and earnings**  
6 **shall not be considered income for purposes of determining a**  
7 **participant's eligibility for financial assistance under any state student**  
8 **aid program.**

166.435. 1. Notwithstanding any law to the contrary, the assets of the  
2 savings program held by the board [and], the assets of any deposit program  
3 authorized in section 166.500, **and the assets of any qualified tuition**  
4 **savings program meeting criteria specified by the board with such**  
5 **criteria including but not limited to the number of qualifying programs,**  
6 **fees charged to investors, minimum deposit amounts required of**  
7 **investors, financial soundness and past performance of the plans,**  
8 **revenue sharing arrangements in which the plan is involved and other**  
9 **requirements set by the board to protect Missouri investors, and**  
10 qualified pursuant to Section 529 of the Internal Revenue Code and any income  
11 therefrom shall be exempt from all taxation by the state or any of its political

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

12 subdivisions. Income earned or received from the savings program or deposit  
13 program **or any qualified tuition savings program meeting minimum**  
14 **criteria established by the board** shall not be subject to state income tax  
15 imposed pursuant to chapter 143, RSMo, and shall be eligible for any benefits  
16 provided in accordance with Section 529 of the Internal Revenue Code. The  
17 exemption from taxation pursuant to this section shall apply only to assets and  
18 income maintained, accrued, or expended pursuant to the requirements of the  
19 savings program established pursuant to sections 166.400 to 166.455, and the  
20 deposit program established pursuant to sections 166.500 to 166.529, **any**  
21 **qualified tuition savings programs meeting the minimum requirements**  
22 **set by the board** and Section 529 of the Internal Revenue Code, and no  
23 exemption shall apply to assets and income expended for any other  
24 purposes. Annual contributions made to the savings program held by the board  
25 and the deposit program **and any qualified tuition savings programs**  
26 **meeting requirements set by the board** up to and including eight thousand  
27 dollars for the participant taxpayer shall be subtracted in determining Missouri  
28 adjusted gross income [pursuant to] **under** section 143.121, RSMo. **Annual**  
29 **contributions made to any other qualified tuition savings programs**  
30 **meeting the requirements set by the board up to and including four**  
31 **thousand dollars for the participant taxpayer shall be subtracted in**  
32 **determining Missouri adjusted gross income under section 143.121,**  
33 **RSMo. In any fiscal year, no participant taxpayer shall, in the**  
34 **aggregate, subtract more than eight thousand dollars under this section**  
35 **in determining Missouri adjusted gross income under section 143.121,**  
36 **RSMo.**

37         2. If any deductible contributions to or earnings from any such program  
38 referred to in this section are distributed and not used to pay qualified higher  
39 education expenses or are not held for the minimum length of time established  
40 by the [appropriate Missouri state authority] **board**, the amount so distributed  
41 shall be added to the Missouri adjusted gross income of the participant, or, if the  
42 participant is not living, the beneficiary.

43         3. The provisions of this section shall apply to tax years beginning on or  
44 after January 1, [1999] **2007**, and the provisions of this section with regard to  
45 sections 166.500 to 166.529 shall apply to tax years beginning on or after January  
46 1, 2004.

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